

Message Text

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 FEA-01 ERDA-05

CEA-01 DODE-00 FPC-01 H-02 INT-05 L-03 NSC-05 PM-04

SAM-01 OES-06 SS-15 STR-04 ACDA-07 PA-01 PRS-01 /127 W

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R 032148Z DEC 76

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 5876

INFO AMEMBASSY BOGOTA

AMEMBASSY LISBON

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY SANTO DOMINGO

AMEMBASSY ROME

USCINCSO QUARRY HEIGHTS

CINCLANT NORFOLK VA

C O N F I D E N T I A L SECTION 1 OF 2 CARACAS 14186

E.O. 11652: GDS

TAGS: PFOR, PINS, ENRG, ELAB, VE, XG, XL, EFIN, SOPN

SUBJECT: THIS WEEK IN VENEZUELA

REF: CARACAS 13918 (NOTAL)

SUMMARY: PRESIDENT PEREZ RETURNED HOME DECEMBER 1
AFTER A 15-DAY TRIP OVERSEAS EXTOLLING THE NEW IMAGE
OF VENEZUELA AS A MILITANT LEADER OF LATIN AMERICA
AND THE THIRD WORLD. AD AND COPEI AGREE ON THE
LENGTH OF CAMPAIGN TO PICK PRESIDENTIAL CANDIDATES.
SUPREME ELECTORAL COUNCIL ENDORSES THE AD/COPEI
DECISION. AD DEPUTY LUSINCHI ANNOUNCES HIS
INTENTION TO SEEK HIS PARTY'S 1978 PRESIDENTIAL
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NOMINATION. THE RATIONALIZATION OF THE PETROLEUM

INDUSTRY BEGINS. FINANCE MINISTER HURTADO AMENDS
THE CONTROVERSIAL TAX REFORM BILL. END SUMMARY.

1. PRESIDENT PEREZ RETURNED HOME AFTER 15-DAY
VISIT TO SEVEN COUNTRIES.
PRESIDENT PEREZ RETURNED TO CARACAS DECEMBER 1
AFTER A FIFTEEN DAY VISIT TO THE UN, ITALY,
BRITAIN, THE SOVIET UNION, THE SOCIALIST INTER-
NATIONAL CONGRESS IN GENEVA, SPAIN, PORTUGAL, AND
THE DOMINICAN REPUBLIC. HIS TRIP HAS TWO ESSENTIAL
PURPOSES. FIRST, TO PUT THE NEW IMAGE OF VENEZUELA
AS A THIRD WORLD AND LATIN AMERICAN LEADER ON THE
MAP, THROUGH ITS NEW-FOUND STRENGTH AS A FOUNDING
AND MILITANT MEMBER OF OPEC. SECOND, TO SEEK
FURTHER TRADE AND COMMERCIAL RELATIONS WITH WESTERN
EUROPE, THE SOVIET UNION, AND THE DOMINICAN REPUBLIC.
AT EACH STOP, PEREZ EXPLAINED OPEC'S RAISON D'ETRE,
STRESSED THE IMPORTANCE OF NORTH-SOUTH CONFERENCE,
TRUMPETED VENEZUELA'S DEMOCRATIC HERITAGE, DECRIED
TRADITIONAL POWER BLOCS, AND DENOUNCED THE INATTEN-
TION OF DCS TO THE NEEDS OF LDCS FOR TRUE "SOCIAL
AND ECONOMIC JUSTICE." UPON HIS RETURN, IN WHAT
CAN ONLY BE TERMED A HOMEY "RANCHO-SIDE CHAT"
TO THE NATION, HE EMPHASIZED THAT HE HAD NOW PUT
VENEZUELA ON THE WORLD MAP TO STAY, AND RATHER
DEFENSIVELY EXPLAINED THE QUADRILATERAL OIL DEAL
(VENEZUELA, CUBA, USSR, EUROPEAN COUNTRIES) HIS
VISIT TO THE USSR AND HIS FAILURE TO CALL ON
PRESIDENT FORD (SEE SEPTTEL FOR FULLER SUMMARY
OF TRIP).

2. AD AND COPEI AGREE ON LENGTH OF PRESIDENTIAL
CAMPAIGN. AD AND COPEI PATCHED UP A RIFT DECEMBER
1 OCCASIONED BY AD SECRETARY GENERAL LUIS PINERUA
ORDAZ' REFUSAL TO DEBATE HIS COPEI COUNTERPART,
PEDRO PABLO AGUILAR. PINERUA SAID IT WAS INAPPRO-
PRIATE FOR HIM TO DEBATE AGUILAR SINCE THE LATTER
WAS NOT A PRESIDENTIAL CANDIDATE, A REMARK WHICH
BROUGHT A STORN OF PROTEST FROM COPEI. HOWEVER,
THE PRESIDENTS, SECRETARIES GENERAL, AND SUPREME
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ELECTORAL COUNCIL REPRESENTATIVES OB BOTH PARTIES
MET SECRETLY DECEMBER 1 TO ARRIVE AT A BIPARTISAN
AGREEMENT ON THE LENGTH OF THE CAMPAIGN TO PICK
PRESIDENTIAL CANDIDATES FOR 1978. BOTH PARTIES
AGREED THE INTERNAL PROCESS LEADING TO THE SELECTION
OF A PRESIDENTIAL CANDIDATE SHOULD BEGIN ON JULY 1,
1977.

3. SUPREME ELECTORAL COUNCIL BACKS AD/COPEI DECISION.
MEETING ONE DAY AFTER THE AD/COPEI CONCLAVE, THE
SUPREME ELECTORAL COUNCIL AGREED TO SUPPORT THE
DECISION OF THE TWO MAJOR PARTIES TO EXTEND THE
PRESIDENTIAL CAMPAIGN. THE COUNCIL WILL PROPOSE
TO THE CONGRESS A CHANGE IN THE ELECTORAL LAW WHICH
WOULD PERMIT ALL PARTIES TO BEGIN THE ELECTION
PROCESS FOR THEIR PRESIDENTIAL NOMINEE ON JULY 1, 1977
INSTEAD OF WAITING UNTIL FEBRUARY 15, 1978, AS RE-
QUIRED BY THE LAW AT PRESENT. HOWEVER, THE COUNCIL
DECIDED PARTY CONVENTIONS TO NAME EACH PARTY'S
NOMINEE CANNOT TAKE PLACE BEFORE APRIL 1, 1978, THUS
KEEPING THE PRESIDENTIAL CAMPAIGN TO 8 MONTHS
OFFICIALLY. IT IS EXPECTED THAT THE CONGRESS WILL
APPROVE THE PROPOSED CHANGE IN THE LAW AFTER CONGRESS
RECONVENES IN MARCH 1977.

4. JAIME LUSINCHI THROWS HIS HAT INTO THE RING
(AGAIN). AT A PARTY NOVEMBER 30 IN HONOR OF AD
DEPUTY AND CONGRESSIONAL LEADER JAIME LUSINCHI, HE
TOLD WELL-WISHERS THAT HE IS PREPARED TO ACCEPT THE
AD PRESIDENTIAL NOMINATION, IF THE PARTY CONVENTION
DECIDES. THE ANNOUNCEMENT CAME AS NO SURPRISE.
WHILE AD SECRETARY
GENERAL LUIS PINERUA ORDAZ IS CLEARLY THE LEADING
AD CONTENDER, LUSINCHI UNDOUBTEDLY FELT
CONSTRAINED TO ANNOUNCE HIS CANDIDACY MORE ASSERTIVELY
FOR WHAT CAN ONLY BE CONSIDERED AN UPHILL STRUGGLE.

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ACTION ARA-10

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

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/127 W

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R 032148Z DEC 76
FM AMEMBASSY CARACAS
TO SECSTATE WASHDC 5877
INFO AMEMBASSY BOGOTA
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USCINCSO QUARRY HEIGHTS
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C O N F I D E N T I A L SECTION 2 OF 2 CARACAS 14186

5. RATIONALIZATION OF THE PETROLEUM INDUSTRY BEGINS.
ON NOVEMBER 30, PETROVEN, THE NATIONAL OIL HOLDING
COMPANY, INFORMED UP TO SEVEN OF THE SMALLER OF
ITS 14 OPERATING COMPANIES THAT, AS OF DECEMBER 1,
THEY WOULD REPORT TO PETROVEN THROUGH CERTAIN OF THE
REMAINING SUBSIDIARIES. AMONG THOSE SO NOTIFIED
WERE BOSCANVEN (EX-CHEVRON), ROQUEVEN (EX-PHILLIPS)
AND AMOVEN (EX-AMOCO). WHILE THESE COMPANIES WERE
REPORTEDLY ASSURED THAT THERE WOULD BE NO CHANGES
IN THEIR OPERATIONS OR STAFFING, THIS ACTION IS
GENERALLY LOOKED ON AS THE FIRST STAGE IN THE
"RATIONALIZATION" OF THE PETROLEUM INDUSTRY WITH THE
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EVENTUAL MERGER OF THE EXISTING COMPANIES INTO
4 TO 7 LARGE, INTEGRATED COMPANIES.

6. MORE ACTION ON THE TAX FRONT. CONGRESSIONAL
HEARINGS ON THE PROPOSED TAX LEGISLATION BEGAN
DECEMBER 2. FEDECAMARAS, THE LEADING SPOKESMAN FOR
ORGANIZED BUSINESS IN VENEZUELA, WAS FIRST TO PRESENT
A STATEMENT HIGHLY CRITICAL OF THE TAX PACKAGE.
FINANCE MINISTER HURTADO MAY HAVE HEADED OFF SOME OF
THE CRITICISM DECEMBER 1 BY: (A) PRESENTING A NEW
PERSONAL INCOME TAX TABLE WHICH SHOWED NO NEW TAX
LEVIES ON THOSE EARNING LESS THAN BS 200,000 ANNUALLY,
AND (B) SUGGESTING THAT IMPLEMENTATION OF THE NEW
PROPOSALS BE DELAYED UNTIL 1979. HE SAID HE MADE
THIS LATTER PROPOSAL IN RESPONSE TO CRITICISM THAT
THE GOVERNMENT URGENTLY NEEDED ADDITIONAL FUNDS TO
COVER FISCAL DEFICITS DURING THE NEXT TWO YEARS.
THE GOVERNMENT HAS CONTENTED ALL ALONG THAT THEY
WERE PROPOSING REFORM MEASURES, NOT REVENUE MEASURES.
THE DELAY WOULD ALSO PUT OFF PAYMENT OF THE NEW

TAXES UNTIL AFTER THE 1978 PRESIDENTIAL ELECTIONS.
ON NOVEMBER 29, THE VENEZUELAN CONFEDERATION OF
WORKERS (CTV) ANNOUNCED ITS SUPPORT FOR THE TAX
PACKAGE AFTER RECEIVING PERSONAL ASSURANCES FROM
HURTADO THAT WORKERS WOULD BE UNAFFECTED BY THE NEW PROPOSALS.

7. OTHER REPORTING THIS WEEK INCLUDED AN ANALYSIS OF PEREZ'
STOPS IN MOSCOW AND GENEVA (CARACAS 14042), PERUVIAN PRESIDENT
MORALES BERMUDEZ' VISIT TO VENEZUELA NEXT WEEK (CARACAS 14114),
FURTHER DEVELOPMENTS REGARDING THE CUBANA CRASH (CARACAS 13992,
14112, AND 14140), LATEST VENEZUELAN ECONOMIC TRENDS INDICATORS
(CARACAS A-153), PETROLEUM WORKERS' CONTRACT (CARACAS 14045),
BWIA INITIATES SERVICE TO VENEZUELA (CARACAS 13989), INTERRUPTION
IN VENEZUELAN-SOUTH AFRICAN TRADE (CARACAS 13921), FUTURE OF MILGP
(CARACAS 14087), BACKGROUND INFORMATION ON VENEZUELAN ENERGY
PROGRAMS (CARACAS A-154), PETROVEN DIRECTOR TAKES ISSUE WITH US
ON OIL PRICE ISSUE (CARACAS 14094), AND ANDEAN PACT COMMON EXTERNAL
TARIFF (CARACAS 14078).
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